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USAWC STRATEGIC RESEARCH PROJECT

WORKING TOWARD ENGAGEMENT: STRATEGY, DEVELOPMENT AND JOBS

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ABSTRACT

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During the Cold War years, the U.S. mounted a consistent, concerted and bipartisan national effort to carry out its strategy of containment. To our surprise, we accomplished exactly what we set out to do. Dramatic and unexpected success on the foreign policy front unmasked growing domestic concerns about jobs, immigration, crime and deficits, both social and financial. National strategy for coming years must address popular concerns by engendering robust economic growth characterized by the creation of high quality jobs, the development of human capital to boost productivity, and the "growth" of new resources. Achieving domestic economic growth and development sufficient to this task requires active international engagement in an expanding trading environment largely free of protectionism. It will further entail active participation in third world development both for the requisite expansion of global markets and to diminish the security, migrational and environmental risks of underdevelopment. Contrary to popular belief, sound social and economic policies and open trading systems can, and where tried have, produced growth and development without the need for a massive transfer of resources.

Working toward Engagement: Strategy, Development and Jobs

The Cold War's end has brought consternation to the foreign policy establishment and has unveiled popular discontent with domestic realities and prospects. There is a growing belief that we must choose between domestic priorities and international "entanglements." There is also the sense that constrained resources and modest prospects will force difficult tradeoffs between efficiency and equity and that the "haves" need increasing protection from the "have nots." These are, to a very large extent, false dichotomies. A successful strategy for the coming century can and must address both foreign and domestic issues and, by doing so, can produce growth, security and equity.

One of the greatest ironies of this century is the surprise and even dismay we experienced upon the ultimate success of our strategy of containing the Soviet Union. It was one of the clearest national strategies in history. The political leadership of both parties remained faithful to it from its inception in the Truman administration to its fruition during the Bush administration. It was a policy which achieved exactly what it proposed to achieve.

The strategy's architect, George Kennan, argued for a "policy of firm containment, designed to confront the Russians with unalterable counterforce at every point where they show signs of

encroaching upon the interest of a peaceful and stable world." Such containment, coupled with the creation by the U.S. "among the peoples of the world generally the impression of a country which knows what it wants, which is coping successfully with the problems of its internal life and with the responsibilities of world power, and which has a spiritual vitality capable of holding its own" could "increase enormously the strains under which Soviet policy must operate, to force upon the Kremlin a far greater degree of moderation and circumspection" and could "promote tendencies which must eventually find their outlet in either the breakup or the gradual mellowing of Soviet power."[1]

Not only did that happen, but along the way we managed to avoid both nuclear and conventional war with the Soviet Union, in spite of three significant "surrogate" wars (Korea, Vietnam and Afghanistan) and a host of minor conflicts. The dissolution of our implacable ideological adversary of four decades utterly discredited Marxist socialism, leaving the twin ideals of American belief, democracy and free markets, preeminent on the world scene. Why then, was cold war victory so lacking in euphoria?

Doubtless, a big part of the answer lies in our national character. Forward looking problem solvers, Americans are not given to self-congratulation and the communal celebration of past success. Time is money and there are always new and pressing

problems to be solved. Historically, we have been a society prone to rapid, even irresponsible, demobilization after conflict, eager to enjoy the fruits of a peace dividend while getting back to the business of America. The post-Cold War world offered plenty of problems. The desire for a peace dividend to help solve them had been building for some time.

Well before the Berlin wall was breached in 1989, there was a growing sense within the body politic that something was wrong with our global relationships. The success of Paul Kennedy's <u>The Rise and Fall of the Great Powers</u> was symptomatic of that sensation. Pointing to a pattern in the rise and ultimate decline of great powers since 1500, Kennedy speculated that the U.S. had entered a period of "relative decline." In Kennedy's view, the decline of a preeminent world power arises from the failure to meet two "great tests." The first is "preserving a reasonable balance between the nation's perceived defense requirements and the means it possesses to maintain those commitments. The second is whether the nation can "preserve the technological and economic bases of its power from relative erosion in the face of the ever shifting patterns of global production." He suggested that we were failing both tests and that the U.S. should "'manage' affairs so that the <u>relative</u> erosion of the United States' position takes place slowly and smoothly, and is not accelerated by policies which bring merely short-term advantage but longer-term disadvantage."[2]

Critic's were quick to attack Kennedy's "declinist" views and heated dialogue erupted between "declinists" and "renewalists" which continues today.[3] Recent economic developments in the U.S. and Japan call much of Kennedy's argument into serious question, but he clearly touched a nerve. The questions he raised about security commitments and economic power and their implications for grand strategy remain pertinent. Americans began to question the continuing validity of Cold War engagements in light of pressing domestic concerns.

Certainly, those commitments were large. Prepared to go anywhere, we did, in fact, go just about everywhere as our conception of what was "strategic" expanded not only across the globe, but into space, as well. Even the most insignificant countries hosted a U.S. diplomatic mission (and a Soviet one as well). The cold war was played out in microcosm as the two superpowers used arms, aid, trade, propaganda and pressure to jockey for advantage. U.S. forces were maintained in numbers previously unseen in peacetime and many were deployed overseas. With the need to "go anywhere" came the requirement to know about everywhere and the intelligence community grew accordingly. We discovered vital interests in Korea and Vietnam (as did the Soviets in Afghanistan) whose defense called for substantial expenditure of blood and treasure.

In retrospect, we can see that there was little hyperbole in John

Kennedy's assurances that we would "pay any price, bear any burden, endure any hardship" in carrying out our cold war policies. Not surprisingly, these commitments entailed huge costs which (accompanied from the mid-1960's by high and accelerating social spending) had to be underwritten by borrowing.[4] From 1965 to 1991, the federal debt increased from $313.8 billion to $3,502 billion and interest payments on the debt increased from $11.3 billion to $286 billion.[5]

Beyond the dollar cost of our cold war strategy, our society has gone a long way in fulfilling JFK's promise to "bear any burden." It is commonly agreed that, in spite of huge government expenditure on social "entitlements," we still have a "social deficit" at least as worrisome as our financial deficit. Americans face a daunting panoply of chronic and mutually reinforcing social problems. The poor are both more numerous and poorer. Incomes of the bottom 40 percent of families have fallen during the period 1973 to 1990.[6] Between 1968 and 1980 the crime rate rose 45 percent with a doubling of the violent crime rate.[7] Although a greater percentage of Americans are already imprisoned than in any other country, significant new prison construction is underway.[8] The homeless who number some 600,000 at any time have become a fixture of modern urban life. Drugs are a multibillion dollar criminal enterprise and substance abuse afflicts millions of citizens and their families. For children in school, standardized test scores have dropped significantly since the

mid-1960's. In international comparisons, American students fare poorly against not only their peers in the developed world, but also against students in a developing country like South Korea.[9]

We have also become increasingly sensitive to the extent to which Cold War imperatives transformed the political and economic structure of our society. In addition to large standing forces, large parts of both government and the economy were shaped by the objectives of containment. The executive branch was reorganized along security lines with the creation of the Central Intelligence Agency, the Department of Defense, the National Security Agency, and a National Security Council to coordinate military, intelligence and diplomatic activities. Defense spending became not just a significant factor in the economy, but resulted in the emergence of a constellation of firms for whom defense work was the primary or exclusive source of revenue--a "military-industrial complex." With the dissolution of the Soviet Union, the relevance of these structures became increasingly dubious.

The presidential election of 1992 signaled a change of focus and direction within the American polity. President Clinton's campaign manager is generally credited with targeting the political center of gravity with his irreverent imperative, "its the economy, stupid!" Ironically, however, President Bush's campaign manager (in an earlier incarnation as Secretary of

State) was closer to the mark in his observation about the Gulf War: "its about jobs."

Concerns about jobs are not unfounded. Consider, for example, that from the mid 1970's to the mid 1980's, the U.S. followed a deliberate policy of "reducing output...in order to reduce inflation."[10] Admittedly, the threat posed by inflation was serious and the deflationary policy was a dramatic success, but it came at a cost of between one and two trillion dollars in "lost" GNP.[11] That translates into an average "excess" unemployment of about 3.24 million jobs each year from 1975 to 1986.[12]

Reinforcing the macroeconomic trend, the past decade and more has witnessed an arguably necessary but still painful effort to "rightsize" American corporations. They have slashed costs -- particularly labor costs -- in order to better compete both globally and domestically. Seldom does a week go by without an announcement from a major corporation that hundreds or thousands of workers are to be laid off. The "rightsizing" trend has even penetrated into the federal government as the current administration's plan to reinvent government envisions eliminating nearly three hundred thousand jobs.

The employment question is one of quality as well as quantity. We fear that jobs are not only being lost but, more importantly,

Africa's problems are, in the main, neither innate nor cultural.

that good jobs are giving way to marginal ones. As the percentage of jobs in the manufacturing sector has declined, their percentage in the service sector has risen. Even though many service sector jobs are high paying positions which make a significant and positive contribution to our balance of payments, a greater number are low or minimum wage positions.[13] The public sees steel workers becoming hamburger cooks. Commenting on the availability of these low wage jobs, one working spouse noted wryly, "Sure, we've got four of them."[14] In a related rightsizing trend, companies are increasingly "outsourcing" functions previously performed internally and are increasing the use of part-time and contract employees. In each of these cases, wages and benefits tend to be lower and job security more precarious.

American workers are also fearful of the job threat posed by immigrants, in spite of evidence that immigrants, especially illegal ones, tend to take jobs that American workers reject. Beyond "job theft," we also suspect that immigrants consume more in public services than they provide in terms of tax and social security payments. While the evidence on this point may be ambiguous, the public concern is clear, as are efforts to limit immigration and to curtail benefits to noncitizens.[15]

The question of benefits for immigrants is subsumed within another threat to livelihood -- taxes. While taxes are seldom

popular anywhere, there has been a pronounced aversion to them in this country since the "tax revolt" of the 1970's heralded by California's famous Proposition 13. In spite of a seemingly insatiable demand for government services and benefit checks, the public's tolerance for taxes has decreased. This reflects a concurrent decline in the public's faith in government and its ability to use funds wisely. In any event, the "worth" of a job to an individual is based on net salary rather than gross salary. To the extent that purchasing power is eroded by taxes, jobs are worth less.

A final threat, not only to our livelihoods but to our lives and safety, is crime. Although the crime rate has not increased substantially in the past few years, public fear and intolerance of crime has risen dramatically. Personal safety motivates most of our concern about crime, but most of us also appreciate its impact on our economic well being and see a connection between poverty and crime.

If we once believed that "the business of America is business," it may now be closer to the truth to say that the "job of America is jobs." Clearly, much of the malaise that we now experience and many of the social problems we now face are related, directly or indirectly, to our jobs. It follows that a national strategy for the coming decade must give jobs a prominent, if not preeminent, place among its goals.

A viable jobs-based strategy will require both economic growth and economic development. The "jobless growth" of recent years will not achieve the objective. The kind of growth we need must raise not only economic statistics but the standard of living. Although the exact formula for that kind of growth could be regarded as the philosopher's stone of economics, the basic ingredients are increasingly clear.

Few economists would disagree with Krugman's assertion that "productivity isn't everything, but in the long run it is almost everything."[16] Productivity is the key to economic growth, but we should remember that productivity can be increased simply by working more (the working couple), longer (the four job couple) or harder (the residual workers after "rightsizing"). Most of us would agree that "we call work <u>work</u> rather than <u>play</u> because it is often unpleasant; that's why we get paid to do it....So it makes sense to focus our attention on output per hour of work, that is, on the productivity of labor."[17]

There is, perhaps, a tendency to focus excessively on the role of capital in our proudly capitalist society. We by no means break faith with capitalism in admitting that most of us earn a living primarily from the sale of our labor. Given that fact, it should not be surprising that "labor inputs account for roughly 70% of gross domestic product and capital inputs for just 30%."[18] Certainly, one way to increase the productivity of labor "is to

equip workers with more and better capital."[19] This includes not only financial capital but technology which can have dramatic impact on labor productivity. Overall, however, we can expect the greatest total impact (both social and economic) from improving the labor inputs (i.e. the work force).

Happily, since the work force is "us," we face the rewarding, although by no means simple, task of making ourselves better and more productive. Some of the problems which we have marginalized in a "social agenda" which we presumed to be too expensive and difficult to tackle should now be viewed as hard-nosed economic challenges which we must resolve as a prerequisite to prosperity. We must clearly understand, however, that the task is self-improvement, not self-indulgence. Renewed attempts to solve social problems merely by redistributing wealth are doomed to failure. Moreover, our habit of consuming more than we produce (to the detriment of our trade balance) would merely be worsened by that approach. The challenge, then, is to invest in and build a work force that is both more capable and more flexible. Doing that entails improving childhood development and education in preparation for working life, improving management and training for those already in the work force, and motivating and preparing the able unemployed to work and produce.

Such an investment, like most others, can be expected to pay the best dividends when invested early and held longest.

Accordingly, we should look first to our youngest children and even, by means of prenatal care, to the unborn. A variety of studies conclude that expenditures on prenatal care return dramatic savings in medical costs ju in the first months of life.[20] Some programs addressing th eds of pre-school children can boast similar returns on investment.[21] These calculations of benefits are based just on savings realized by reduced downstream spending on health, education and the like, they do not include the enduring personal and social benefits of enhanced future productivity over a lifetime.

As noted above, we are doing a poor job, relative to other nations, of preparing our school age children for a productive working life in the global economy. Nor is our failure manifestly one of underfunding, since our expenditures compare favorably to those who surpass us in results.[22] The education problem is more one of ways than of means. We need to seek out creative ways to improve education such as expanding choice, establishing incentive systems, and strengthening corporate involvement.[23] What is certain is that the links between education (an indicator of skills) and income (an indicator of productivity) are becoming more pronounced. According to one authority, "the wage premium commanded by college graduates doubled in the 1980's. Today they earn an average of 77% more than high school graduates--a gap that is widening relentlessly.[24]

Education and training remain important even after entry into the work force. Nor must skills development efforts be limited to formal training programs. Quality circles, job rotation and on the job training all contribute to skills. "Growing" skills also "grows" productivity, inducing the virtuous cycle posited by Robert Reich:

> A work force possessing a good basic education, which can efficiently bring the fruits of its labors to the global economy, can attract global capital for its performance of moderately complex tasks. The experience gained by performing these tasks generates additional on-the-job training and experience, which serve to lure global capital for more complex activities. As skills build and experience accumulates, the nation's citizens receive more and more from the rest of the world in exchange for their services..."[25]

Japanese companies, well aware of the connection between skills development and productivity, spend about twice as much as American companies on employee training.[26] There are, however, positive indications of changing views in corporate America such as Motorola's establishment of a center for continuing education.[27]

Management's contribution to labor productivity does not end with education and training. Management must overcome its own

lingering prejudices about worker involvement in the corporate process in order to tap workers' full potential. Labor must, in turn, overcome its reflexive and anachronistic resistance to flexibility and change. Government has a role in facilitating the portability of benefits, fostering the continuous retraining necessary for a flexible national work force, and removing disincentives to work. Finally, and most importantly, individuals must accept responsibility for personal development and responsible social and economic participation.

A jobs-based strategy has several advantages. It satisfies a primary public interest. It provides a focus to and rationale for our efforts to address the social agenda. It offers the prospect of an improved and more equitable standard of living through economic growth. Finally, it offers us a means to escape the debt, tax and spending dilemma by growing new resources rather than merely redistributing existing ones.

Up to this point, I have mostly avoided the question of the outside world and those pesky foreigners who live there. Is it preferable or even possible to pursue a jobs-based strategy with little or no reference to the larger world? After all, in spite of all the talk about global trade, our economy is still largely self-sufficient in trade. Imports amount to less than 12% of our GDP while exports account for only about 10% of GDP.[28] Moreover, labor is much less mobile than capital and only a small

percentage of Americans work outside the U.S. Could we not simply ignore foreigners and foreign lands?

Ultimately, we cannot, no matter how attractive that option may seem. While we might choose to ignore them, they will not likely oblige by reciprocally ignoring the U.S. Foreign trade is a relatively small part of our economy, but trade with the U.S. is a large part of many foreign economies. In the end, we face a choice between actively isolating ourselves from the world or participating in it.

Isolation is not an unthinkable course and it has been tried. North Korea and Albania come to mind as prominent and instructive examples. Under the label of import substitution, Latin America dabbled in isolation in the post-war years with disastrous results. Our own last major effort to withdraw from the world economy precipitated a global recession.

Nor is the variant of selective isolation (protectionism) a viable option. First of all, it is costly. The cost to consumers for each American job saved by import quotas on Japanese cars in the mid-1980's amounted to an estimated $160,000 per job -- significantly more than the annual compensation (salary plus benefits) of the saved job.[29] Protectionism is not only inefficient but it also invites a disruptive cycle of retaliation which tends to lead back to full isolation.

If we cannot simply ignore the outside world and should not sever contact with it, the only remaining question is the extent of our engagement. In other words, should we remain passively engaged, generally accepting things as they come or should we engage more actively?

A neo-laissez faire policy of moderate engagement could produce moderate growth both globally and domestically. It is, however, a limited approach which fails to address serious problems of global development, particularly in the less developed regions of the world. Just as it is economically short-sighted and socially dangerous to maintain an undeveloped underclass at home, it is equally myopic and risky to maintain a global underclass of nations largely excluded from the benefits of the global economy. The robust economic growth envisioned in a jobs-based strategy is a positive sum game. The active expansion of markets and trade will not only accelerate the creation of good paying jobs at home (export-related jobs pay nearly 17% more than average jobs) but will lend impetus to growth and development in the rest of the world.[30]

The failure to create a tenable place for the third world in the global economic system involves dangers which, especially in the long term, go far beyond slower economic growth. Nor does the argument for inclusion depend solely on humanitarianism, as compelling as that argument often is. In one sense, including

the third world is an imperative simply because it is beyond our power to exclude it. People are increasingly mobile. If they cannot realize basic aspirations at home, they will often seek to satisfy them abroad. In short, if we do not go to them economically, they will come to us physically.

Secondly, developed and underdeveloped countries occupy the same shrinking planet, sharing air, water and climate. Even when foreigners helpfully stay home, what they do there has the potential to profoundly impact upon people everywhere. The former Soviet Union has shown us how failing economies treat the environment.

Finally, nations and peoples which are not satisfactorily incorporated into the interdependencies of the global trading system may be tempted into rogue roles. Outcast states, like today's North Korea and Libya, could seek attention and influence through extortionate or destabilizing means. The propensity to proliferate weapons of mass destruction and associated delivery systems underscores this risk.

Our reluctance to confront the necessity of dealing with the less developed world stems from three misconceptions about what is entailed. In general, we are convinced that it is a profitless endeavor which would require a vast transfer of resources to no purpose since the "basket cases" of the third world are beyond

salvation. These convictions are as false as they are broadly held.

The satisfactory incorporation of the third world into the global economy could be a very profitable enterprise indeed. Over four billion people live in the developing countries versus only three quarters of a billion in industrial countries.[31] Admittedly, it is a very poor market today. More than a quarter of those four billion "live on less than one dollar a day -- a standard of living that Western Europe and the United States attained two hundred years ago."[32] While that level of development is surely grounds for dismay, it also dramatizes the tremendous development potential. Increasing such low incomes even modestly would translate into tremendous rates of growth. In short, there may be little profit in a stagnant and undeveloped third world, but a strongly developing one is a very different story.

The second misconception is that a vast transfer of resources would be required. This approach to development is as discredited internationally as it is domestically and for the same reason: we tried that approach and it failed. The OPEC price increases of the 1980's and the associated lending of these reinvested profits elsewhere in the third world constituted a transfer of many billions of dollars from the first world to the third world. In most cases the development impact was minimal and the only significant result was a debt crisis whose effects

endure today. Current development strategies emphasize home grown efforts to develop human capital and implement "market friendly" policies which are supplemented by access to knowledge, technology and, yes, capital. That capital need not, however, be exclusively or even predominantly concessional.

The final misconception is a sort of geo-calvinist belief that much of the third world is simply doomed. This view is popularized (albeit not explicitly promoted) by writings like Paul Kennedy's Preparing for the Twenty-First Century and Robert Kaplan's "The Coming Anarchy." Leaving aside the moral repugnance of simply writing off billions of people as damned, the impossibility of development is not sustained by the facts.

There have been development success stories. The most dramatic and best known is the "East Asian miracle." It turns out that East Asian success is not so much the result of a miracle as the predictable result of sound economic policies applied consistently over time. As the World Bank notes, "East Asian economies have performed exceedingly well for long periods of time. Although they differ in many important respects, they all share several features: high and rising levels of education...an outward orientation" and "intervention in the market in East Asian countries was, in an overall sense, more moderate than in most other developing countries."[33] Similar policies are replicating the "miracle" in the Southeast Asian countries of

Malaysia, Thailand and Indonesia.

Any discussion of the possibilities for development must inevitably turn to the case of sub-Saharan Africa. While even committed geo-calvinists are prepared to concede that there may be some room among the elect for some Asian and Latin American countries, they regard Africa as well and truly damned. This view is overly simplistic and pessimistic. African successes, while modest and limited, are not nonexistent. Moreover, they show that the same sound policies which have "worked" in East Asia can work in Africa. Africa is neither utterly different from other parts of the world nor hopelessly condemned to misery, poverty and backwardness.

Critics of Africa sometimes preclude the possibility of its development on the erroneous grounds that it lacks any tradition of popular or representative government, private ownership of property or market economies. In pre-colonial Africa, indigenous rulers seldom held absolute power, were generally subject to some form of election, were accountable to customary law and could be, and often were, "destooled" for abuses. While land (generally then believed to be virtually unlimited) was usually communally owned, it was privately held and used. Private ownership of moveable property was virtually universal and protected by law. Finally, Africa had thriving internal and external trade relationships which date back to antiquity.[34]

Africa's problems are, in the main, neither innate nor cultural. They are mostly man made and of fairly recent vintage. The causes include colonial conquest and exploitation followed by indigenous tyranny and exploitation compounded by misguided foreign "assistance" usually shaped by geostrategic concerns irrelevant to African needs and realities.[35] The good news is that to the extent that Africa's problems are created rather than innate, they are not insurmountable.

The most striking African success story is Botswana which, at independence in 1966, was one of the poorest and least developed African countries. In the first two decades of independence, Botswana managed an annual economic growth rate of 8 percent per year.[36] It is true that Botswana was blessed with substantial mineral resources, including diamond deposits which account for about 85% of export earnings.[37] It is also true that Botswana faced special liabilities including a complete lack of infrastructure at independence; a near complete reliance upon a large and hostile neighbor for imported goods and services; low literacy rates; and a harsh and unpredictable climate.

Botswana's success is explained not by its mineral wealth, but rather by having established and maintained an environment conducive to sustainable development and economic growth. That environment is, and has been, characterized by commitment to the free market, openness to foreign investment, multiethnic and

multiparty democracy, freedom of speech, prudent government investment, development of human capital and fidelity to grassroots indigenous institutions.

There is no fundamental reason why these same ingredients cannot produce similar results elsewhere in Africa. Indeed, to the extent that they have been tried elsewhere, encouraging results have obtained. Ghana, for example, embarked on significant structural economic adjustment in 1983 and has in intervening years enjoyed per capita growth in excess of 3 percent each year from 1983 to 1989.[38] Political reform which began in a serious way with the presidential elections of November 1992, if broadened and sustained, offer the possibility of reinforcing and accelerating the economic changes now in place.

While internal efforts to establish the ingredients for development are essential, much will depend upon the evolution of the two major regional economic powers: South Africa and Nigeria. In addition to the serious internal problems faced by African countries, external trade flows are both abnormal and anemic. African exports amount to only 1 percent of total world trade flows. Colonial trading patterns persist while intra-African trade is a mere 5.6 percent of total African trade.[39] The boxcars of the African economy now rely far too much on distant locomotives in Europe from which they may soon find themselves decoupled.

The regional economic powers could supply a more proximate, more efficient and more natural impulse for economic growth. Nigeria with one fifth of the entire population of sub-Saharan Africa, an exuberant entrepreneurial spirit and a nascent industrial base is well positioned to serve as a regional locomotive. It cannot, however, play that role until it puts its own house in order by embracing rather than suppressing the transition to open and democratic government.

In spite of sickening pre-election violence, South Africa's prospects are relatively bright. Most observers doubt that the electoral process can be derailed or that sustainable insurrection will be possible in the wake of elections.[40] Economic growth resumed in 1993 after a long sanctions induced recession and business confidence has attained high levels. In the meantime, southern African economies which have tended to look south rather than to Europe, have converted the "front-line" Southern African Development Coordination Council (SADCC) into a new Southern African Development Committee (SADC) which aspires to incorporate South Africa into a collaborative regional economic system.

SUMMARY AND CONCLUSION

African development and, _al fortiori_, development elsewhere in the third world is by no means impossible. The debunking of

socialism and the unleashing of democratic aspirations in the wake of the cold war offer unprecedented opportunities to move forward. Doing so will require initiative and commitment by the third world peoples and nations involved to create and maintain the conditions essential for growth and development. The American role in that development is to promote such initiatives where they appear and to encourage those societies which have embarked on the path of development. We should be prepared to back "winners" with moderate and proportionate assistance, particularly during the critical and often painful early stages of transition. More importantly, we must be prepared to foster and support private sector efforts to develop trade and investment, particularly with regional powers.

During the Cold War years, we organized our society and mobilized our resources to carry out an ambitious national strategy to contain and defeat a grave threat to ourselves and to the world at large. Having achieved that goal, we must now reassess our strategy, reorganize our efforts, and mobilize our resources to the attainment of new objectives in the light of new realities.

As a democracy, these goals must address the people's concerns and serve the general welfare. Americans clearly wish to restore our economic vitality, ease the constraints imposed by the tax, debt and spending dilemma, reopen paths to upward mobility and prosperity and restore our eroded sense of personal security.

To attain these popular goals, we must generate robust economic growth to generate more and better paying jobs. Doing so will require a coordinated governmental, corporate, labor and individual effort to improve the overall quality of the work force. It will also require expanding that upwardly mobile work force to include the able long-term unemployed.

Nonetheless, successful development of human capital in America will not, by itself, be sufficient to achieve the people's goals. The essential precondition of robust economic growth and better paying jobs at home is healthy and expanding global trade. Realizing this expansion will require American engagement with the world and the movement beyond existing markets and trading partners to develop new ones. Accordingly, and as a matter of self-interest, we must participate responsibly in the development of the vast potential of the third world. Doing so will enable all parties to enjoy the benefits of growth and will help diminish the risks of chronic underdevelopment.

The strategy of containment, of necessity, assigned a preponderant role to government. After all, individuals, companies and communities could do very little about Soviet ICBM's or Communist aggression in Europe or Asia. By contrast, a strategy of economic growth and development focused on jobs, assigns a supporting role to government. For the most part, government need only actively support and facilitate people doing

what they are generally predisposed to do in the first place: to work in order to enjoy prosperity and personal security.

Government may have a supporting role, but it is an essential one. Although the people's objectives are clear, government must provide vision and leadership in articulating those goals and devising ways and means for their attainment. In the current environment, it must, above all, explain the positive sum nature of the economic system, demonstrating the significant benefits to all from an inclusive economy and the serious cost of exclusion, both at home and abroad.

The stakes are large. If we cannot create a world where satisfied customers line up at the till, we may increasingly find ourselves in one where disgruntled barbarians line up at the gates.

ENDNOTES

1. X (George Kennan), "The Sources of Soviet Conduct," Foreign Affairs 65 (Spring 1987): 858.

2. Paul Kennedy, The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 150J to 2000 (New York: Vantage Books, 1987), 514-535.

3. See, for example, Samuel P. Huntington, "The U.S.--Decline or Renewal?," Foreign Affairs 67 (Winter 1988): 76-96.

4. The observation that the Cold War was expensive does not imply that costs were either excessive or unnecessary. On the contrary, there is every reason to believe that this was money well spent.

5. Mark S. Hoffman, ed., The World Almanac and Book of Facts 1993 (New York: Pharos Books, 1992), 128.

6. Isabell V. Sawhill, "Young Children and Families," in Setting Domestic Priorities: What Can Government Do?, eds. Henry J. Aaron and Charles L. Schultz (Washington: The Brookings Institution, 1992), 155.

7. John J. DiIulio, Jr., "Crime," in Setting Domestic Priorities: What Can Government Do?, eds. Henry J. Aaron and Charles L. Schultz (Washington: The Brookings Institution, 1992), 108.

8. Paul Kennedy, Preparing for the Twenty-first Century (New York: Random House, 1993), 305.

9. Ibid., 306.

10. Paul Krugman, The Age of Diminished Expectations: U.S. Economic Policy in the 1990's (Washington: Washington Post Co., 1990), 39.

11. The calculation of the "lost" GNP depends, of course, on the "normal growth" baseline used for the calculation.

12. Alan S. Blinder, Hard Heads, Soft Hearts (New York: Addison-Wesley, 1987), 35.

13. "Invisible Extras, The Economist, 4 Sep 1993, 31.

14. Dirk Johnson, "Family Struggles to make Do After Fall from Middle Class," New York times, 11 Mar 1994, A1.

15. William Claiborne, "Aliens' Benefits Under Attack," Washington Post, 24 Mar 1994, A1.

16. Krugman, The Age of Diminished Expectations, 15.

17. Alan S. Blinder, Growing Together: An Alternative Economic Strategy for the 1990's (Knoxville, TN: Whittle Books, 1991), 4.

18. Alan S. Blinder, "We Should Focus on Human Capital, Not Capital," Business Week, 27 Jul 1992, 14.

19. Blinder, Growing Together, 4.

20. Ibid., 39-40.

21. Sawhill, 21.

22. Paul Kennedy, Preparing for the Twenty-first Century, 305.

23. See, for example, Alan S. Blinder, "Adam Smith Meets Albert Shanker," Business Week, 14 Dec 1992, 20 and Elmer H. Burack, Corporate Resurgence and the New Employment Relationships: After the Reckoning, (Westport, CT: Quorum Books, 1993), 84.

24. "Generation X-onomics," The Economist, 19 Mar 1994, 27.

25. Robert Reich, "The Real Economy," The Atlantic 267 (Feb 1991), 42.

26. Blinder, Growing Together, 63.

27. Burack, 183.

28. Steven Pearlstein, "Trading Shots with a Wunderkind," Washington Post, 3 April 1994, H1 and Paul Krugman, "Competitiveness: A Dangerous Obsession," Foreign Affairs 73, (Mar/Apr 1994), 28-44.

29. Blinder, Hard Heads, Soft Hearts, 118.

30. Hoard Banks, ed., "Exports Are Creating Better Paying Jobs," Forbes, 4 Jan 1993, 37.

31. World Bank, World Development Report 1991: The Challenge of Development, (New York: Oxford University Press, 1991), 1.

32. Ibid.

33. Ibid., 39.

34. For a comprehensive review of these issues, see George B.N. Ayittey, Indigenous African Institutions, (Ardsley-on-Hudson, NY: Transnational Publishers, Inc., 1991).

35. See, for example, Michael Clough, Free at Last?: U.S. Policy Toward Africa and the End of the Cold War, (New York: Council on Foreign Relations Press, 1992).

36. Ayittey, 480.

37. Ibid., 481.

38. Naomi Chazen et al., Politics and Society in Contemporary Africa, 2nd ed. (Boulder: Lynne Riener Publishers, 1992), 313.

39. Prudence Bushnell, Deputy Secretary of State, Remarks to US Army War College, African Regional Strategic Appraisal class, 14 Jan 1994, Carlisle Barracks, Pennsylvania.

40. See, for example, Witney W. Schneidman, "Postapartheid South Africa: Steps Taken, the Path Ahead," CSIS Africa Notes 156 (Jan 1994): 1-11.

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